RECEIVED
DOCKET FILE COPY ORIGINAL
AUG 26 1997
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	CC Docket No. 96-128
Remand Issues Involved with the	)	
Pay Telephone Reclassification	)	
and Compensation Provisions of the	)	
Telecommunications Act of 1996	)	

COMMENTS OF PEOPLES TELEPHONE COMPANY, INC.

Eric L. Bernthal
Michael S. Wroblewski
LATHAM & WATKINS
Suite 1300
1001 Pennsylvania Ave., N.W.
Washington, D.C. 20004
(202) 637-2200

Bruce W. Renard,
General Counsel
PEOPLES TELEPHONE COMPANY, INC.
2300 N.W. 89th Place
Miami, FL 33172
(305) 593-9667

August 26, 1997

No. of Copies rec'd 0+4
List ABCDE

Summary

Peoples supports the Commission's determination that the Commission's interim compensation plan remain in effect until this proceeding is completed. Not only did the Court of Appeals not vacate the interim compensation plan, but the equities dictate that carriers compensate PSPs for calls that originate from PSP payphones -- compensation that PSPs have been denied for over six years.

The Commission has the legal authority to reaffirm the use of the $.35 deregulated local coin rate as a market-based surrogate for access code and 800 subscriber calls ("dial around calls") until the Commission's market-based, deregulatory per call compensation plan is fully implemented in November 1998. There is substantial evidence on which the Commission can continue to rely upon the deregulated market rate for local calls as a market-based surrogate for compensation for dial around calls:

(1) The same payphone instrument is used to originate all types of calls (e.g., 800 subscriber, local, 911, etc.), such that it is appropriate to establish a uniform compensation rate for all payphone calls.

(2) Premises owners require payphones to handle all types of calls, not just local or not just dial around calls.

(3) The average duration of a dial around call is nearly double the duration of a coin call.

(4) The average cost per call, less costs specifically identifiable to coin calls, is comparable to the deregulated local coin rate.

Thus, there is ample basis to continue to rely on the deregulated local coin rate as the appropriate measure of fair compensation for dial around calls.

TABLE OF CONTENTS

Page

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	CC Docket No. 96-128
Remand Issues Involved with the	)	
Pay Telephone Reclassification	)	
and Compensation Provisions of the	)	
Telecommunications Act of 1996	)	

COMMENTS OF PEOPLES TELEPHONE COMPANY, INC.

Peoples Telephone Company, Inc. submits these Comments in response to the Commission's Public Notice ("*Notice*") issued in response to the United States Court of Appeals for the District of Columbia Circuit remand of the *Payphone Orders*.[1]

I. SUMMARY OF POSITION

Peoples supports the Commission's determination that the Commission's interim compensation plan remain in effect until this proceeding is completed.[2] As part of the Telecommunications Act of 1996, Congress directed the Commission to revamp completely its existing payphone regulatory structure and to implement a comprehensive new system designed to foster the competitive offering of payphone services from numerous payphone service providers ("PSPs") by November 9, 1996. Congress established, as a key foundation

---

1 *Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996*, CC Docket No. 96-128, Report and Order, 11 FCC Rcd 20541 (1996) ("*Order*"); Order on Reconsideration, 11 FCC Rcd 21233 (1996) ("*Reconsideration Order*", together "*Payphone Orders*"), remanded sub. nom., *Illinois Public Telecommunications Association v. FCC*, 117 F.3d 555 (D.C. Cir. 1997) ("*IPTA*").

2 *Notice* at 2.

for this new regulatory paradigm, the fundamental principal that all PSPs will be able to receive "fair" compensation "for each and every completed intrastate and interstate call" (excepting "911" and "deaf relay" calls) originating from PSP pay telephones.[3] By reaffirming that the flat interim rate and subsequent market-based per call compensation plans remain in effect pending further action on remand, the Commission has fulfilled Congress' clear mandate to ensure that PSPs obtain fair compensation for all calls made from their payphones -- fair compensation that PSPs have been denied for over six years.

Peoples submits these comments to not only update its previously submitted cost data and call volumes, but to respond to four particular items in the *Notice*. First, the Commission has the legal authority to reaffirm the use of the $.35 deregulated local coin rate as a market-based surrogate for access code and 800 subscriber calls ("dial around calls") until the Commission's market-based, deregulatory per call compensation plan is fully implemented in November 1998.

Second, it is inappropriate for the Commission to start with a fair compensation rate for dial around calls, based on a market-based surrogate, and then adjust it for costs that are solely related to coin calls to determine the appropriate rate for dial-around calls. Not only is the Commission comparing apples to oranges (surrogates, which are not necessarily correlated with costs, to costs), but the Commission would be using cost data even though it has explicitly rejected a cost standard as the appropriate basis for fair compensation. Instead, the appropriate analysis is a cost versus cost comparison based on reliable and verifiable data.

---

[3] 47 U.S.C. § 276(b)(1)(A).

Third, to the extent that the costs of calls originating from the same pay telephone can be examined, the cost differences between local calls and dial-around calls demonstrate that the cost of a dial-around call is sufficiently similar to the deregulated local coin rate to permit continued use of the deregulated local coin rate as an appropriate measure of fair compensation for dial around calls.

Fourth, the Commission's interim compensation flat rate should be updated to reflect the increase in dial around calls PSPs have experienced over the last year, especially if the Commission delays implementation of the per call compensation beyond October 1997.

II. The Commission Has the Legal Authority to Justify the Continued Use of the $.35 Dial-Around Rate.

If a court remands an agency decision back to the agency for further justification as it did here, the agency should not consider itself required to reverse or alter its original position. Indeed, when a reviewing court hears a challenge to an administrative decision for the second time, the court will use the same standard of judicial review it applied to the original proceeding, namely the court will determine whether the agency considered the relevant factors and whether it made a clear error in judgment.[4] The Commission in reaching the same decision must present clearly to the court its reasoning and the facts in the record, which includes the record evidence acquired in the remand proceeding, upon which it based its decision. Moreover,

---

4 *Competitive Enterprise Institute v. National Highway Traffic Safety Administration*, 45 F.3d 481, 484 (D.C. Cir. 1995), citing *Motor Vehicle Mfrs. Ass'n, Inc. v. State Farm Mutual Auto Ins. Co.*, 463 U.S. 29, 43, 77 L. Ed. 2d 443, 103 S. Ct. 2856 (1983).

an agency need not "justify its exercise of administrative discretion in any particular manner or with artistic refinement."[5]

This framework was laid out in *Competitive Enterprise Institute, supra*, where the National Highway Traffic Safety Administration (NHTSA) terminated a rulemaking proceeding on average fuel economy standards for passenger automobiles twice, even after the D.C. Circuit remanded the decision to the agency to address certain unanswered questions. The agency re-opened the rulemaking and requested comments to respond to the court's questions, but, receiving no information to alter its original decision, again terminated the rulemaking without altering its position.

The Court upheld the NHTSA's second termination decision, noting that the agency had "identified sufficient support in the record for its decision." *Competitive Enterprise Institute, supra*, at 486. The court acknowledged that long-standing precedents[6] in judicial

---

5 *SEC v. Chenery*, 318 U.S. 80, 95, 87 L. Ed. 626, 63 S. Ct. 454 (1943).

6 *See Greyhound Corporation v. Interstate Commerce Commission*, 668 F.2d 1354, 1358 (D.C. Cir. 1981) (a reviewing court, while using the rational basis test to review an informal rulemaking order, will accord "a somewhat greater degree of scrutiny to an order that arrives at substantially the same conclusion as an order previously remanded by the same court"); *Natural Resources Defense Council v. SEC*, 606 F.2d 1031, 1050 n.23 (the presumption of agency regularity is rebutted when the agency has arrived at the same result after remand from the reviewing court, and so more exacting scrutiny is called for); *Food Marketing Institute v. ICC*, 587 F.2d 1285, 1289-90 (D.C. Cir. 1978) ("The agency's action on remand must be more than a barren exercise of supplying reasons to support a pre-ordained result").

These cases do not stand for the proposition that agencies must reach a different result on remand from a reviewing court; rather, the D.C. Circuit Court in these decisions reminds agencies to ensure that their decisions are adequately grounded in the record. In both the *Natural Resources Defense Council* and *Food Marketing Institute* cases noted above, the court did find that the agencies had sufficient support for their identical decisions on remand. In *Greyhound*, the court reversed the agency decision to exercise securities regulation over Greyhound Corporation as simply unjustified, declining to give the ICC "another shot at the target." *Greyhound, supra*, at 1364. *Greyhound* is clearly distinguishable from the instant situation, however. The court's primary concern in *Greyhound* was that the original ICC decision to regulate was a "radical departure," *id.* at 1358, from the ICC's past policies governing which companies would be regulated in the proposed manner. The ICC's failure to justify that review of administrative decisions require greater scrutiny of agency orders "that on remand from court reach the same result as in original [the] order," but found that even with such scrutiny the record adequately supported the agency's holding. *Id.* at 484.

Here a similar set of circumstances exist. The Commission has been directed on remand to provide additional justification as to why a $.35 rate, which is equal to the deregulated local coin rate in the majority of states that have allowed the market to establish payphone service rates, is an appropriate measure of fair compensation for dial around calls, despite evidence in the record that the costs of the two types of calls may not be "similar." The Court specifically requested that the Commission respond to evidence in the record showing the dissimilarity of local coin and dial around call costs.[7] In making this determination, the Court did not prohibit the Commission from continuing to rely upon the local coin rate as a market-based surrogate, provided that the Commission addressed the record evidence on cost variations. And, as Peoples demonstrates in these comments, there are numerous other grounds on which the Commission can, and should, continue to rely on the $.35 rate level as providing fair compensation to PSPs for dial around calls made from their payphones.

---

radical departure was the ultimate basis for the court's rejecting the ICC's decision on remand. Here, we have an issue of first impression - setting of payphone compensation rates for dial around calls - which by definition cannot be seen as a radical departure from Commission's past practices and policies. Indeed, it is entirely consistent for the Commission to arrive at a $.35 per call rate in view of the $.40 per call rate it replaced.

7 *IPTA* 117 F.3d at 560.

III. THE COMMISSION SHOULD CONTINUE TO USE THE LOCAL COIN RATE AS A SURROGATE FOR DIAL-AROUND COMPENSATION.

There are numerous bases on which the Commission can continue to use the deregulated local coin rate as the appropriate measure of fair compensation for dial around calls. First, the payphone instrument is used to originate all types of calls (e.g., 800 subscriber, local, 911, etc.), such that it is appropriate and logical to establish a uniform compensation rate for all payphone calls. PSP payphones can rarely, if ever, be justified based on the revenue received from coinless calls alone. Indeed, coinless payphones comprise less than five percent of Peoples' nationwide installed payphone base of almost 40,000 payphones. And as the chart below describes, over 70 percent (539 / 723 calls) of the calls from a typical Peoples payphone are coin calls, which are predominantly local calls. As a result, Peoples will not install payphones in locations that do not generate substantial numbers of coin calls.

Table 1 -- Typical Payphone Profile[8]
Number of Calls (1997)

Type of Call	Feb.	Mar.	Apr.	May	Jun.	Jul.	Avg.
0+/00/0-	23	25	29	33	32	34	29
Access Code	**45**	**49**	**53**	**68**	**64**	**71**	**58**
Subscriber	**62**	**65**	**81**	**92**	**88**	**100**	**81**
DA	12	13	14	15	14	14	14
Emergency	2	2	2	2	2	2	2
All Coin	462	493	571	586	542	582	539
Grand Total	**606**	**647**	**750**	**796**	**742**	**803**	**723**

8 The data in Table 1 was collected data from a representative sample of payphones in Peoples' nationwide operations to determine the completed call profile of a typical payphone. The payphones were selected randomly and contain a wide range of locations, including truck stops, convenience stores, public facilities and hospitals.

By definition, if a payphone cannot be used to handle sufficient numbers of coin calls, a PSP will not deploy a payphone in a particular location and the payphone will thus be unavailable to handle dial-around calls. Because dial-around calls are dependent upon a payphone being able to handle coin calls, it is not arbitrary to use a market-based surrogate for one type of call as fair compensation for another type of call generated and dependent upon the same payphone for origination.

Second, premises owners require payphones to handle all types of calls, not just local coin calls or dial around calls. Thus, it is completely reasonable for the Commission to continue to use the deregulated local coin rate as the basis for fair compensation for all dial around calls made from a payphone, because the payphone market compels the use of a single unified payphone instrument for both types of calls.

Third, over the past six months, the average duration of a dial around call originated from a Peoples payphone has been slightly over 5 minutes per call, compared to a duration of slightly less than 3 minutes per call for a coin call. Thus, there is ample basis in light of the usage characteristics to suggest that the compensation rate for dial around calls should be even greater than that of local coin calls. Moreover, there simply is no language in the statute, and no principle of economics, that would compel the conclusion that access for different types of calls cannot be priced the same. Just as it is fair for PSPs to charge a flat rate for a local call, whether it lasts 10 seconds or 10 minutes, and fair for the Postal Service to charge $0.32 for a first-class stamp whether a letter travels across the street or across the country, it is fair to charge the same flat rate for each payphone call, regardless of whether it is a local coin call or dial around call.

IV. Peoples' Cost Data Shows that Dial Around Calls Cost $.36 per call.

The *Notice* suggests that if the Commission were to adhere to the local deregulated coin rate as a market-based surrogate for dial-around compensation, then this rate perhaps should be adjusted for any differences in the costs between local coin calls and dial-around calls. This general framework, however, is flawed and should be not the starting point of the Commission's further formulation of the default rate for dial around compensation. Such an analysis compares apples with oranges (*i.e.*, values with costs), whereas the appropriate comparison would be one that examines the differences in costs between local coin calls and dial around calls, without comparing those cost differences to values. And as shown below, the cost of a dial around call is similar to the deregulated local coin rate, thus demonstrating the reasonableness of the deregulated local coin rate as the default rate for dial around compensation.

Moreover, it is inappropriate to use a market-based surrogate and then to adjust it for costs because the Commission would be basing the default rate partially on cost data, despite the fact that it has explicitly rejected a cost standard as the appropriate basis for fair compensation.[9] Indeed, the Commission has stated that "a cost-based compensation standard could lead to a reduction in payphones by limiting a PSP's recovery of its costs, and this result would be at odds with the legislative purpose of Section 276 that [the Commission] 'promote the widespread deployment of payphone services to the benefit of the general public.'"[10] The Commission has noted that independent payphone providers "have not had previous experience

9 *Reconsideration Order* at ¶ 66.

10 *Id.*

with any costing systems" that would produce cost based standards.[11] Thus, to take a market-based surrogate, and adjust it for costs, costs which the Commission has no history of evaluating, would be a significant departure from the market-based approach initially established to govern the payphone industry and an approach that is not provided for in Section 276. An appropriate comparison might be to compare costs with costs, but clearly not to compare values with costs.

Despite the Commission's traditional reluctance to embrace PSP cost data, the cost data that Peoples presents below is highly reliable and representative of the independent payphone industry. As a publicly-traded company, Peoples' cost data is based on its GAAP-prepared financial statements that form the basis of its presentation to the investor community and to the Securities and Exchange Commission and which are reviewed quarterly by one of the "Big Six" accounting firms.

With the reliability and veracity of Peoples' financial data not at issue, Table 2 shows that the average actual cost per call for the previous six months is $.42 per call.[12] Because the same equipment is used to provide customers with the ability to make a local call or a dial around call, there are very few costs that are uniquely identifiable to either local calls or dial around calls. Moreover, as the Commission recognized in the *Order*, "virtually all of

---

11 *Id.*

12 $.42 per call is slightly lower than the $.46 per call that Peoples presented in its comments last year, primarily because of the increase in volume of calls between the two periods, from 665 calls to 723 calls per payphone per month.

the costs are fixed costs and are not incurred on a per call basis."[13] Thus, it is appropriate to apportion these costs equally among all types of calls originated from the same payphone.

In fact, there are only two cost categories that vary depending upon whether the call is a coin call or a dial around call: Line Charges and Field Service/Collection Costs. An examination of these costs shows that there are minimal differences between local coin calls and dial around calls. Peoples' largest cost category, premises owners' commissions, do not have a variable component. These commissions are the "rent" PSPs pay to location owners for the right to place a payphone that can handle local and dial around calls at a certain location. Accordingly, premises owners' commissions are appropriately apportioned among all types of calls.

Table 2 -- Direct Costs
January - June, 1997

Cost Category	Per Payphone Basis	Per Call Basis*
Direct Costs per Month:		
Line Charges	$59.54	$0.08
Premises Owners Commissions	67.12	0.09
Field Service/ Coin Collection Costs	41.66	0.06
Billing Costs / Bad Debts	4.02	0.01
Total Direct Costs	$172.34	$0.24
Overhead (SG&A)	25.27	0.04
Depreciation/Interest**	64.33	0.09
Total Costs -- PreTax	$261.94	$0.36
10% Return on Assets***	26.83	0.04
Income Taxes	16.76	0.02
Total Costs + Reasonable Return	$305.53	$0.42

* Based on 723 calls per month.
** Includes depreciation and interest expense that relate solely to Peoples' payphone assets.
*** Peoples' average payphone net asset base is $124,433,108

[13] *Order* at ¶ 73.

A. Line Charges are Predominantly Fixed Charges.

Regardless of the type of call made, PSPs incur line charges in order to connect the payphone to the public switched telephone network. Peoples' line charges average less than 20 percent of its cost per call ($0.08 / $0.42 per call). Specifically, line charges are both fixed and variable. In other words, each LEC charges a PSP a fixed rate to connect to the PSTN, regardless of the amount of usage of the line. In addition, some LECs charge PSPs a variable charge based on the number and type of calls made. In the top four states in which Peoples has over 50% of its installed payphone base (Florida, New York, California and Texas), the incumbent LECs in both Florida and Texas only charge Peoples a tariffed fixed rate for line charges. (Attachment A contains BellSouth's Florida tariff and SBC Communications' Texas tariff). Thus, the line charges in those states are fixed and **do not vary** with the type of call placed from the payphone. Thus, it would be completely illogical to adjust a market-based local coin rate or cost-based compensation rate for dial around calls from payphone instruments that obtain their connections to the public switched telephone network on a fixed rate basis -- because there is no difference in line charges with respect to local and dial around calls.

Notwithstanding the fixed rate structures applicable in many LEC territories, on average, over 50 percent (or $31.85) of the line charges shown in Table 2 are fixed, regardless of whether two local coin calls or 1,000 dial around calls are made from that payphone. The other portion of the line charge cost amounts to $27.69 ($59.54 - $31.85), which represents average variable costs for local coin call usage and coin long distance charges. Accordingly, on a per call basis, the variable portion of line charges that relate solely to coin calls is less than $.04 per call ($27.69 / 723 calls).

Moreover, in the states in which Peoples operates, an increasing number of incumbent LECs are proposing to transition to strictly fixed LEC line charges, and eliminating the usage portion of the rate. In fact, over the past six months, the fixed portion of Peoples' line charges has increased from 52% to over 54% of total line charges as more and more LECs adopt fixed rate plans. Moreover, in certain of its operating territories, Peoples has been able to obtain interconnection to the PSTN from a competitive LEC that has offered a fixed rate plan. As additional competition is introduced into the local loop, it is highly likely that PSPs will be able to continue to reduce the variable portion of its line charge expense. And, as a result, there would be no cost differences between coin and dial around calls that would justify having a lower compensation rate for dial around calls as opposed to local coin calls.

B. Dial Around Collection Costs Exceed Coin Call Collection Costs.

The only other cost category that arguably varies depending upon the type of call being made is field service and coin collection costs. Peoples maintenance personnel visit each and every payphone at least once a month for routine maintenance checks. And, the same personnel perform installation, maintenance and coin collection functions for each payphone. Peoples maintains records of each and every service and collection visit it makes to each of its almost 40,000 payphones nationwide.

Over the past six months, Peoples' maintenance personnel made a total of 679,265 service visits to its payphones. Of these visits, 200,591 visits were made solely to collect coins, and an additional 56,157 visits were made to repair the payphone while the service personnel also collected any coins during the same visit. The remaining visits were made for specific or routine maintenance checks or installation/deinstallation requests. Thus, only 38 percent (200,591 + 56,157 / 679,265) of the total number of visits were even related to coin collection functions. As shown in Table 2, the average monthly payphone field service/coin collection costs averages $.06 per payphone such that approximately $.02 ($.06 * 38%) per payphone can be attributed to coin collection-related functions. Moreover, coin collection costs expressed solely on a total coin call basis, rather than on a total call basis, shows that coin collection costs are $.03 per call ($41.66 * 38% / 539 coin calls).

Coin collection costs are slightly lower than the costs involved with collecting dial around compensation. Under the Commission's previous access code compensation of $6.00 per payphone per month, Peoples could only consistently collect $5.10 per month such that it had bad debt expense of 15 percent or $.90 per payphone. And now, under the Commission's new interim compensation plan, Peoples had bad expense of approximately $4.50 per payphone per month with respect to period October 8 - December 31, 1996, which was billed and collected in April 1997. This translates into a bad debt expense of over $.03 per dial around call ($4.50 / 139 dial around calls). Peoples expects this amount to grow as per call compensation is introduced and the Commission expands the potential number of carriers that are obligated to pay dial around compensation as a result of this proceeding. Indeed, the Billing Cost and Bad Debt expense shown in Table 2 is a cost that is uniquely attributable to non coin calls and should be attributed solely to these calls. Thus, because coin collection costs (expressed on a basis of total coin calls) are comparable to, if not slightly lower than, dial around call collection costs (expressed on a basis of total dial around calls), the Commission should not make any adjustment to the total cost per call for collection costs.

C. The Cost of Dial Around Calls is Comparable to the Deregulated Local Coin Rate.

Thus, because the proper analysis is to compare costs with costs, the proper determination of the average cost of a dial around call (on a total call basis) starts with the average total per call cost of $.42 reduced for variable line charges ($.04) and coin collection costs (expressed on a total call basis) ($.02). This calculation results in an average dial-around cost per call of $.36. And, as discussed above, because there is little difference in collection costs between coin calls and dial around calls, the cost of a dial around call is equal to the total per call cost of $.42 less only variable line charges ($.04), or $.38 per call. The similarity of these two determinations of the cost of a dial around call with the deregulated local coin rate is clearly a reasonable basis upon which to conclude that the $.35 deregulated local coin rate is justified as an appropriate market surrogate for dial-around calls.

Moreover, Peoples is confident that because the Commission is fully justified in the continued use of the $.35 default rate, there is no need to make any retroactive adjustment for rates -- because the dial around default rate should not change. To the extent the Commission were to lower the default rate as a result of this proceeding, however, the Commission should not make any retroactive adjustment at all. Not only has the *Payphone Order* been in effect since October 8, 1996, but the equities demand that carriers compensate payphone providers for services that they have received since 1990. As the Commission is well aware, PSPs have not obtained compensation for any of the large number of 800 subscriber calls originated from their payphones until this past April, although PSPs have been legally required to provide open access to 800 access code calls since Congress enacted TOCSIA. Moreover, the $6.00 compensation amount PSPs previously received for access code calls was strictly tied to the volume of interstate calls at that time and that volume did not reflect either intrastate access code calls nor the increase in the number of interstate access code calls made from a PSP's payphone since the Commission developed the $6.00 rate. As a result, the Commission should not make any retroactive adjustment.

V. INTERIM COMPENSATION SHOULD BE INCREASED TO REFLECT INCREASE CALL VOLUMES.

As Table 1 demonstrates, since the Commission adopted the interim compensation rate last year, Peoples' payphones have handled an increased number of dial around calls. There has been an increase in dial around call volumes per month from 129 calls (for the six month period from November 1995 to April 1996) to 139 calls (over the last six months), or a 7.8 percent increase in the number of dial around calls placed from a payphone. If the Commission were to delay implementation of the per call compensation plan that is scheduled to begin in October, accuracy would dictate that the flat interim rate should be increased to reflect increased call volume, especially because the increase in dial around calls has come at the expense of lucrative 0+ calls made from a payphone. If no adjustment is made, PSPs will not be receiving fair compensation for each and every call that originated from their payphones as required by Section 276. And, to the extent that the interim compensation is adjusted for call volumes, the Commission should continue to use the $.35 default rate as described above.

VI. CONCLUSION

Congress provided the Commission with broad authority to craft a comprehensive payphone compensation plan that fairly compensates PSPs for each and every completed call that originates from their payphones. The Commission took proper action by deregulating the payphone market to ensure that PSPs are fairly compensated for each and every call made from their payphones. In order to comply, however, with the Court's concerns with the Commission's dial-around compensation system, Peoples has provided the Commission with ample evidence that if costs are examined, the cost of a dial-around call is $.36 per call, which approximates the $.35 per call rate the Commission used to provide compensation for PSPs. As a result, the Commission should reaffirm the $.35 deregulated local coin rate as the appropriate rate for dial-around compensation.

Respectively submitted,
PEOPLES TELEPHONE COMPANY, INC.

By: Michael S. Wroblewski

Eric L. Bernthal
Michael S. Wroblewski
LATHAM & WATKINS
1001 Pennsylvania Ave., N.W., Suite 1300
Washington, D.C. 20004
(202) 637-2200

Bruce W. Renard, General Counsel
PEOPLES TELEPHONE COMPANY, INC.
2300 N.W. 89th Place
Miami, FL 33172
(305) 593-9667

August 26, 1997

CERTIFICATE OF SERVICE

I Andrea Rainey hereby certify that I have this 26th day of August, 1997 caused copies of the foregoing "Comments of Peoples Telephone Company, Inc." to be served by hand on the following:

Chairman Reed E. Hundt
Federal Communications Commission
1919 M Street, N.W.
Suite 814
Washington, D.C. 20554

Commissioner James H. Quello
Federal Communications Commission
1919 M Street, N.W.
Suite 802
Washington, D.C. 20554

Commissioner Susan Ness
Federal Communications Commission
1919 M Street, N.W.
Suite 832
Washington, D.C. 20554

Commissioner Rachelle B. Chong
Federal Communications Commission
1919 M Street, N.W.
Suite 844
Washington, D.C. 20554

John B. Muleta
Common Carrier Bureau
Federal Communications Commission
2025 M Street, N.W., Room 6008
Washington, D.C. 20554

Michael Carowitz
Rose Crellin
Greg Lipscomb
Common Carrier Bureau
Federal Communications Commission
2025 M Street, N.W., Room 6008
Washington, D.C. 20554

Andrea Rainey

A

A3. BASIC LOCAL EXCHANGE SERVICE[1] (N)

A3.4 Flat Rate Service (Cont'd)

A3.4.2 Monthly Rates (Cont'd)

B. Residence and Business Exchange Access Line Rates (Cont'd)

1. Flat Rate Service (Cont'd)

a. Residence Service (Cont'd)

(1) Rate Groups 1 - 6 (Cont'd)

	Group 1	2	3	4	5	6	USOC
(a) Individual service	$7.30	$7.70	$8.10	$8.40	$8.80	$9.15	1FR++

(2) Rate Groups 7 - 12

	Group 7	8	9	10	11	12	USOC
(a) Individual service	$9.50	$9.80	$10.05	$10.30	$10.45	$10.65	1FR++

b. Business Service

(1) Rate Groups 1-6

	Group 1	2	3	4	5	6	USOC
(a) Individual line service	$19.80	$20.80	$21.90	$22.90	$23.85	$24.90	1FB

(2) Rate Groups 7 - 12

	Group 7	8	9	10	11	12	USOC
(a) Individual line service	$25.75	$26.60	$27.40	$28.00	$28.60	$29.10	1FB

2. Residence and Business Basic Rates by Exchanges:

Exchange	Residence Ind.	Business Ind.
Archer (Group 5)	$ 8.80	$23.85
Baldwin (Group 9)	10.05	27.40
Belle Glade (Group 3)	8.10	21.90
Big Pine Key (See A3.8.5)	-	-
Boca Raton (Group 10)	10.30	28.00
Boynton Beach (Group 10)	10.30	28.00

Note 1: Text is shown as new due to reissue of all Tariff Sections. No changes in rates or regulations were made with this filing.

A3. BASIC LOCAL EXCHANGE SERVICE[1] (N)

A3.4 Flat Rate Service (Cont'd)

A3.4.2 Monthly Rates (Cont'd)

B. Residence and Business Exchange Access Line Rates (Cont'd)

2. Residence and Business Basic Rates by Exchanges: (Cont'd)

Exchange	Residence Ind.	Business Ind.
Bronson (See A3.8.6)	-	-
Brooksville (Group 5)	8.80	23.85
Bunnell (Group 3)	8.10	21.90
Cantonment (Group 6)	9.15	24.90
Cedar Keys (Group 1)	7.30	19.80
Century (Group 6)	9.15	24.90
Chiefland (Group 3)	8.10	21.90
Chipley (Group 3)	8.10	21.90
Cocoa (Group 7)		
- Cocoa Main (West of Indian River)	9.50	25.75
- Cocoa Merritt Island (East of Indian River)	9.50	25.75
Cocoa Beach (Group 7)	9.50	25.75
Coral Springs (Group 12)	10.65	29.10
Cross City (Group 2)	7.70	20.80
Daytona Beach (Group 6)	9.15	24.90
DeBary (Group 5)	8.80	23.85
Deerfield Beach (Group 12)	10.65	29.10
Deland (Group 5)	8.80	23.85
DeLeon Springs (Group 4)	8.40	22.90
Delray Beach (Group 8)	9.80	26.60

Note 1: Text is shown as new due to reissue of all Tariff Sections. No changes in rates or regulations were made with this filing.

A3. BASIC LOCAL EXCHANGE SERVICE (T)

A3.4 Flat Rate Service (Cont'd)

A3.4.2 Monthly Rates (Cont'd)

B. Residence and Business Exchange Access Line Rates (Cont'd)

2. Residence and Business Basic Rates by Exchanges: (Cont'd)

Exchange	Residence Ind.	Business Ind.	
Dunnellon (Group 6)	9.15	24.90	
East Orange (Group 11)	10.45	28.60	
- Eau Gallie Area (Group 7) (West of Indian River)	$ 9.50	$25.75	
- Eau Gallie Beach Area (Group 7) (East of Indian River)	9.50	25.75	
Fernandina Beach (Group 3)	8.10	21.90	
Flagler Beach (Group 3)	8.10	21.90	
(DELETED)			
Ft. Lauderdale (Group 12)	10.65	29.10	(D)
Ft. Pierce (Group 5)	8.80	23.85	
Gainesville (Group 6)	9.15	24.90	
Geneva (Group 7)	9.50	25.75	
Graceville (Group 3)	8.10	21.90	
Green Cove Springs (Group 3)	8.10	21.90	
Gulf Breeze (Group 6)	9.15	24.90	
Havana (Group 6)	9.15	24.90	
Hawthorne (Group 5)	8.80	23.85	
Hobe Sound (Group 6)	9.15	24.90	
Holley Navarre (Group 6)	9.15	24.90	

A3. BASIC LOCAL EXCHANGE SERVICE (T)

A3.4 Flat Rate Service (Cont'd)

A3.4.2 Monthly Rates (Cont'd)

B. Residence and Business Exchange Access Line Rates (Cont'd)

2. Residence and Business Basic Rates by Exchanges: (Cont'd)

Exchange	Residence Ind.	Business Ind.	
Hollywood (Group 12)	10.65	29.10	
Homestead (Group 12)	10.65	29.10	
Islamorada (Group 4)	8.40	22.90	
Jacksonville (Group 10)	10.30	28.00	
Jacksonville Beach (Group 9)	10.05	27.40	
Jay (See A3.8.15)	-	-	
Jensen Beach (Group 5)	8.80	23.85	(C)
Julington (Group 9)	10.05	27.40	
Jupiter (Group 9)	10.05	27.40	
Key Largo (Group 4)	8.40	22.90	
Keystone Heights (Group 3)	8.10	21.90	
Key West (Group 4)	8.40	22.90	
Lake City (Group 4)	8.40	22.90	
Lynn Haven (Group 5)	8.80	23.85	
Marathon (Group 3)	8.10	21.90	
Maxville (Group 9)	10.05	27.40	
Melbourne (Group 7)	9.50	25.75	
Miami (Group 12)	10.65	29.10	
Micanopy (Group 5)	8.80	23.85	
Middleburg (Group 9)	10.05	27.40	
Milton (Group 6)	9.15	24.90	
Munson (Group 6)	9.15	24.90	
Newberry (Group 5)	8.80	23.85	